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**SUBSTITUTE HOUSE BILL 1721**

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**State of Washington**

**53rd Legislature**

**1993 Regular Session**

**By** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives R. Meyers, Dorn, Zellinsky, Wang, Reams, G. Fisher, H. Myers and Mielke)

Read first time 03/03/93.

1       AN ACT Relating to jointly administered health and welfare benefits  
2 trusts; amending RCW 48.62.121; and adding a new section to chapter  
3 48.62 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5       **Sec. 1.** RCW 48.62.121 and 1991 sp.s. c 30 s 12 are each amended to  
6 read as follows:

7       (1) No employee or official of a local government entity may  
8 directly or indirectly receive anything of value for services rendered  
9 in connection with the operation and management of a self-insurance  
10 program other than the salary and benefits provided by his or her  
11 employer or the reimbursement of expenses reasonably incurred in  
12 furtherance of the operation or management of the program. No employee  
13 or official of a local government entity may accept or solicit anything  
14 of value for personal benefit or for the benefit of others under  
15 circumstances in which it can be reasonably inferred that the  
16 employee's or official's independence of judgment is impaired with  
17 respect to the management and operation of the program.

1 (2)(a) No local government entity may participate in a joint self-  
2 insurance program in which local government entities do not retain  
3 complete governing control. This prohibition does not apply to:

4 (i) Local government contribution to a self-insured employee health  
5 and welfare benefits plan otherwise authorized and governed by state  
6 statute ((not to));

7 (ii) Local government participation in a multistate joint program  
8 where control is shared with local government entities from other  
9 states; or

10 (iii) Local government contribution to a self-insured employee  
11 health and welfare benefit trust in which the local government shares  
12 governing control with their employees.

13 (b) If a local government self-insured health and welfare benefit  
14 program, established by the local government as a trust, shares  
15 governing control of the trust with its employees:

16 (i) The local government must maintain at least a fifty percent  
17 voting control of the trust;

18 (ii) No more than one voting, nonemployee, union representative  
19 selected by employees may serve as a trustee; and

20 (iii) The trust agreement must contain provisions for resolution of  
21 any deadlock in the administration of the trust.

22 (3) Moneys made available and moneys expended by school districts  
23 and educational service districts for self-insurance under this chapter  
24 are subject to such rules of the superintendent of public instruction  
25 as the superintendent may adopt governing budgeting and accounting.  
26 However, the superintendent shall ensure that the rules are consistent  
27 with those adopted by the state risk manager for the management and  
28 operation of self-insurance programs.

29 (4) RCW 48.30.140, 48.30.150, 48.30.155, and 48.30.157 apply to the  
30 use of agents and brokers by local government self-insurance programs.

31 (5) Every individual and joint local government self-insured health  
32 and welfare benefits program that provides comprehensive coverage for  
33 health care services shall include mandated benefits that the state  
34 health care authority is required to provide under RCW 41.05.170 and  
35 41.05.180. The state risk manager may adopt rules identifying the  
36 mandated benefits.

37 (6) An employee health and welfare benefit program established as  
38 a trust shall contain a provision that trust funds be expended only for

1 purposes of the trust consistent with statutes and rules governing the  
2 local government or governments creating the trust.

3 NEW SECTION. **Sec. 2.** A new section is added to chapter 48.62 RCW  
4 to read as follows:

5 No local government self-insured employee health and welfare  
6 benefit program established as a trust by a local government entity or  
7 entities prior to the effective date of this act may continue in  
8 operation unless such program complies with the provisions of this  
9 chapter within one hundred eighty days after the effective date of this  
10 act. The state risk manager may extend such period if the risk manager  
11 finds that such local government entity or entities are making a good  
12 faith effort and taking all necessary steps to comply with this  
13 chapter; however, in no event may the risk manager extend the period  
14 required for compliance more than ninety days after the expiration of  
15 the initial one hundred eighty-day period.

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